

Here are the FACTS gathered from the State of Utah regarding the Cedar Ridge Water Company. These facts have not been presented clearly at any of the water meetings, and they need to be understood so we can make an informed decision. It is important that we look at the facts as they stand. This information is public record and can be found on the Public Service Commission's website (www.psc.utah.gov).

"The Cedar Ridge Distribution Company and its manager/officer David Z. Thompson" has been issued an order to show cause by the state. This means that David must go before the administrative law judge on February 2, 2011 and "show cause, if any there be: 1. Why the company has been operating without a certificate of public convenience and necessity (CPCN), or an exemption, in violation of Utah Code Ann. 54-4-25(1).; 2. Why the company and/or Mr. Thompson should not be assessed a penalty of \$2,000 per day for each day the Company has operated without a CPCN or an exemption; 3. Why Mr. Thompson's actions should not be referred to the Utah Attorney General's office for prosecution as a class A misdemeanor." This order to show cause was issued on January 3, 2011 and can be found here: <http://psc.utah.gov/utilities/water/10orders/Dec/70321%2010242302otsc.pdf>.

The hearing that will take place on February 2, 2011 is a public meeting and anyone is permitted to attend. If you desire to speak at the hearing, you must submit a request to intervene and be granted your request. Attendance at this meeting is highly recommended.

The petition for an order to show cause, including a history of the company's dealings with the Public Service Commission can be found here:

<http://psc.utah.gov/utilities/water/10docs/10242302/70041Petition%20for%20an%20Order%20to%20Show%20Cause.PDF>. Note that on page three of this document it states that the company applied for an exemption in 2004, but was denied that exemption because the company's articles of incorporation and bylaws did not comply with the requirements for the exemption. The company was asked to amend those documents or apply for a Certificate of Public Convenience and Necessity. Neither of these ever happened.

You can view all the other documents that are involved in the Cedar Ridge docket here:

<http://psc.utah.gov/utilities/water/waterindx/10242302indx.html>.

There are two options for the company: apply for a Certificate of Public Convenience and Necessity (be recognized as a public utility and be regulated by the state) or apply for an exemption (become a mutual company owned and operated by the shareholders who are also customers).

Note: the company has been functioning up to this point as a public utility without authority. "The PSC (Public Service Commission) has determined that until a developer actually turns ownership and operations over to the water users as a majority ownership, it should be regulated by the PSC." Again, this never happened. The company has not been regulated, nor did it apply for the CPCN, nor did it turn ownership over to the water users. This can be found on this document:

<http://psc.utah.gov/utilities/water/10docs/10242302/70042Exhibit%20A.PDF>.

The Cedar Ridge Distribution Company has been operating without a certificate or exemption from the state for 30 years, not just 8 years as stated in the meeting. This was clarified by a Utility Analyst from the state. The company has been out of compliance from the beginning.

When the Cedar Ridge Distribution Company applied for an exemption in 2004 or 2005, the state DID respond and DENIED the request for exemption. This can be found in this document: <http://psc.utah.gov/utilities/water/10docs/10242302/70049Exhibit%20H.PDF>. We were told that the company did not receive a response, but the company DID RECEIVE a response. The response even explains why the exemption was denied. (Here is the link to see the application for exemption: <http://psc.utah.gov/utilities/water/10docs/10242302/70048Exhibit%20G.PDF>).

The state does NOT require meters on every home. The Division of Water Rights requires a totalizing meter--which has been added to the well since the sale of the well to Tremonton City. If meters are added on the homes it is our choice NOT A REQUIREMENT of the state. Public, private, or mutual companies are NOT required by the state to install meters on each home. Companies are permitted to just charge an annual or monthly rate. This information was verified by a Utility Analyst.

The state does NOT require water companies to chlorinate just because they are a public utility. Chlorination has to do with local ordinances. If the Cedar Ridge Distribution Company applied for and received a CPCN (meaning it receives a certificate to operate as a public utility), we would NOT be required to chlorinate our water. This was also verified by a Utility Analyst.

Another clarification from the meeting: According to the Well Purchase Agreement between the company and Tremonton City, "A. Seller is the current owner of record of the Sixteen Inch Cedar Ridge Water Well and possesses the exclusive operational rights to the same Water Well located in or near Deweyville, Utah, which currently services the Cedar Ridge Subdivision. B. Buyer desires to purchase the Water Well and the exclusive operational right to the Water Well to provide culinary water for the residents of Tremonton City." It appears that Tremonton City purchased "the Sixteen Inch Water Well, related facilities, and the exclusive operational rights to the Water Well of Seller."

Also included in the water well purchase agreement is "Liabilities Not Assumed" by Tremonton City. Even Tremonton City protected itself from possible liabilities; will we not do the same?

A Utility Analyst explained that the fact is that the mutual company WILL ASSUME LIABILITIES of the former company. If the company is listed as an LLC or a non-profit, the liabilities would be limited to just the assets of the company—not the individuals. Are we financially provisioned, prepared, or qualified to assume the liabilities for the Cedar Ridge Distribution Company?

Most mutual companies have liability insurance—another expense to look into if we become mutual.

There should also be a trust for the mutual company—yet another expense. If there is no trust, it is better to be a public company regulated by the state.

Cedar Ridge Water Distribution is a non-profit corporation, therefore, its books should be public knowledge and accessible by law. These have not been fully disclosed, therefore: We do not know what

cash reserves are on hand for the maintenance and upgrade of the infrastructure. We have been told that the mutual company will owe David \$20,000. Are we willing to take that on? In order to get the \$20,000 from the mutual company, David would have to take the company to court.

If we are a mutual company, there will be no government regulation. Are we prepared to regulate ourselves?

The costs for a public company are a \$100 application fee (one time) with a \$50 regulator fee each year. The regulatory fee is based on the total revenue of the company; it amounts to .0029% of the sales. What this provides is a regulatory agency who assists the utility in maintaining balance between the owners and the customers i.e., insuring the utility is financially stable, operationally sound, conducts audits and reviews every four years or more if necessary for rates, and provides a medium for handling complaints and resolution between customers and owners and on the customers side insures that rates, fees and costs are contained to provide safe, reliable, service. Some will say that you have to hire an attorney to deal with the Public Service Commission, but there are many companies and customers such as the Pineview, White Hills and Highland cases where attorneys were not hired. Without regulation the customers and utility must hire attorneys to deal with issues in civil court, which can be costly if they do not get along. Do we want to exempt ourselves from this assistance and protection?

The definition of a public utility as defined in Utah Code: "'Public utility" includes every railroad corporation, gas corporation, electrical corporation, distribution electrical cooperative, wholesale electrical cooperative, telephone corporation, telegraph corporation, water corporation, sewerage corporation, heat corporation, and independent energy producer not described in Subsection (16)(d), where the service is performed for, or the commodity delivered to, the public generally, or in the case of a gas corporation or electrical corporation where the gas or electricity is sold or furnished to any member or consumers within the state for domestic, commercial, or industrial use." Here is the link to this information: http://le.utah.gov/~code/TITLE54/htm/54_02_000100.htm.

It is possible that if the Cedar Ridge Distribution Company becomes certified with the state as a public utility, applies for and receives a CPCN, and puts all its business affairs in order that the water system can continue to function effectively, safely, and smoothly for our benefit without having to assume liabilities as a mutual company. Federal grants may be available to remedy the infrastructure repairs. Low interest loans and grants based on hardship or rural conditions may also be available. **Becoming a mutual company is not the only option and may not be as desirable or economical as we have been led to believe. Do we have all the facts in order to make that decision? It may be more beneficial, in our case, for the existing company to apply for and receive a CPCN and continue to function as a public utility.**

Should we not obtain full disclosure and discovery of Cedar Ridge Water Distribution Company prior accounting, compliance reports, assets, schedule of ownership, liabilities, debt, and state of the infrastructure before we decide to become a mutual company? And I am not referring to verbal disclosure, I am referring to actual documentation and data—the FACTS.